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C O N F I D E N T I A L SECTION 01 OF 02 BAGHDAD 002024

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COMMERCE: PASS TO SUE HAMROCK MANN

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SUBJECT: BASRA INVESTMENT COMMISSION CHAIR EXPRESSES

FRUSTRATION WITH BAGHDAD

REF: 09 BAGHDAD 1838

Classified by CNorberg, Economics Officer, reason para 1.4G & H

¶11. (C) SUMMARY: In a recent meeting with EMIN, Basra Investment Commission (BIC) Chairman Dr. Haider Ali Fadhel voiced concerns over the national government's lack of progress on a variety of issues affecting the overall investment climate. Specifically, Fadhel took issue with the Ministry of Transportation for its lack of focus and support for the Basra Airport, with the Executive Branch for its inability to resolve the recurrent problem of land use issues, and with the National Investment Commission for its support of the proposed amendment to the National Investment law which, in Fadhel's opinion, would further remove authority from the provinces. While Fadhel appeared frustrated with the many challenges facing the BIC, he demonstrated a knowledgeable command of the issues and his commentary was consistent with what we have heard from other GOI provincial Investment Commission Chairmen. END SUMMARY

"Our airport is a problem."

¶12. (SBU) Discussing Basra's Airport, Fadhel expressed frustration with the Ministry of Transportation for their lack of support for a critical piece of Basra's infrastructure. The airport sees approximately 35 thousand passengers a year and in Fadhel's opinion, is underutilized. Referencing a specific proposal for Airport management/development from Deutsche Land PLC, Fadhel mentioned that the expectation gap was between MOT and the company's proposal was large. (Note: Deutsche Land PLC has proposed an ambitious development plan for the airport which requests a 50 year concession. Minister of Transportation Amir Ismail is reported to be willing to allow for 2-3 years of management for a hotel and business center, similar to a pending agreement at Baghdad's Airport, but does not appear interested in the scope of the Deutsche Land proposal. End Note) In addition, Fadhel stated that funding for the airport was a problem; among other items, he noted that the annual budget for maintenance was 25 thousand USD and the marketing budget was non-existent. The land issue holding up investment (again)

¶13. (C) Touching on the familiar theme of land use as a barrier to investment (Reftel A), Fadhel presented several examples of hotel and housing projects which were currently stalled due to lack of clarity on land use and zoning between the controlling ministries and the BIC. One example mentioned was a 107 Million USD hotel and entertainment complex proposal which was held up over land lease delays with the Ministry of Municipalities (MOM). Another project, in part held up over the land use issue, was a 900 Million USD multi-use housing project proposed by the Iranian company. In addition, Fadhel mentioned that the Basra based, state owned South Oil Company further inhibits

investment activity through its control of the majority of the land in the province as a whole.

"Killing the Investment Commissions..."

¶4. (C) Commenting on the proposed amendment to the National Investment Law (Reftel A), Fadhel stated that the Amendment "would kill the Investment Commissions" by further removing power and control in the provinces. He explained that from his optic at the BIC, the amendment would place the control over land for sale or lease in the hands of the National Investment Commission (NIC), remove the ability of any Provincial Governor to appoint the Province's Investment Provincial Governor to appoint the Province's Investment Commission Chairman and leave the BIC with little room to maneuver on investments other than housing and tourism based endeavors. Fadhel mentioned that the implementing regulations for the Investment law have not been distributed to GOI Directors General in Basra Province. Fadhel also complained of lack of national government focus on resolving what he characterized as problematic legacy investment license for a 35 million square meter poultry farm south of Basra. He noted that the project was approved under previous NIC chairman designate Ahmed Ridha and that the investor lacked appropriate resources to even begin the project. Specifically, Fadhel was disappointed with the NIC and the Prime Ministers office for their lack of focus on resolution of the project, as the land track designated for use was inhibiting other proposed investments which could be utilizing the space.

¶5. (C) When questioned by EMIN on the NIC's proposed role in land use, Fadel conceded that allowing the NIC control

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over land would be an improvement over the current situation and that he was supportive and thought favorably of NIC Chairman designate Dr. Sami al Araji and claimed he was easy to work with. However, he was not optimistic that Araji's amendment to the Investment law would pass and suggested that the NIC would need to study the issue more closely. In addition, Fadhel also claimed that the BIC had not received any of its budget allocation thus far in 2009 and that he was funding the Commission and his staff out of his own pocket. Fadhel minced no words when he stated that "there is no good relationship between the center (National Government) and the provinces" and mentioned that Iraqis in general "ask for the open market, but go with the Soviet style."

Light on the Horizon? An activist role for investment commissions?

¶6. (SBU) Despite his many concerns, Fadhel was generally upbeat and pointed to the proposed dissolution of the Ministry of Municipalities at the end of 2009 (MOM) as a positive move. Fadhel proposed that the responsibility of the land currently controlled by MOM would probably revert to the respective cities and provinces and this alone would allow many investment licenses and proposals to move forward. In addition, the recent announcement of the GOI sponsored Basra Sports City Complex (Septel) will require the BIC to build 3 hotels as part of the complex in the next 31 months.

¶7. (SBU) Fadhel also commented on the discussions he frequently has with other southern Iraq Investment Commissions and mentioned that they have openly advocated as a group to not only the NIC, but also the PM's office. Fadhel mentioned that the group was discussing the option of bringing suit against the National Government on the land issue to help resolve the conflicts; when pressed on the topic, Fadhel would not say more.

Comment

¶8. (C) Despite a meeting in which he displayed his frustrations at length, Fadhel demonstrated a knowledgeable command of the issues inhibiting progress on investment in Iraq writ large and his comments are consistent with the message we receive from other PIC's. Furthermore, he clearly respects and enjoys working with NIC Chairman Araji and conceded that while not all to his liking, the structural aspects of Iraq's Investment Commissions are showing progress. End Comment.

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